

PUBLIC DISCLOSURE

October 14, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**LIBERTY BANK
26816**

**326 South 500 East
Salt Lake City, Utah 84102**

**Federal Deposit Insurance Corporation
25 Ecker Street, Suite 2300
San Francisco, California 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Liberty Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **October 14, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Liberty Bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area in a manner consistent with its resources and capabilities. The following narrative supports this rating:

- An analysis of sampled residential real estate loans originated during the last 6 months revealed an adequate penetration among borrowers of different incomes, with 28% of the sampled loans extended to low- and moderate-income borrowers.
- The bank has achieved a reasonable dispersion of loans throughout the bank's assessment area, with approximately 28% of the sampled loans extended to borrowers residing in moderate-income census tracts.
- A majority of the sampled residential real estate loans, roughly 80% by both number and dollar volume, were originated within the bank's assessment area.
- The average loan-to-deposit ratio reflects a strong responsiveness to community credit needs, with an average ratio of 161% over the last 20 quarters.
- The institution has not received any CRA-related complaints.

DESCRIPTION OF INSTITUTION

Liberty Bank is a state-chartered, independent community bank with \$6,902,000 in total loans, \$4,922,000 in total deposits, and \$7,869,000 in total assets as of the June 30, 2003 Report of Condition. The bank is a small family owned institution that does not have a holding company. Liberty Bank operates from one banking facility, located in a moderate-income census tract in downtown Salt Lake City, Utah.

No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community. Liberty bank offers a variety of personal and business loan and deposit products. The composition of the bank's loan portfolio, as of June 30, 2003, is illustrated in Table 1. The table shows that 62% of the loan portfolio is comprised of 1-4 family residential loans. Commercial loans make up the next largest category at 17% of total loans.

Table 1 – Composition of Loan Portfolio as of June 30, 2003		
Loan Type	Dollar Amount (000s)	Percent of Total Loans
Construction and Land Development	\$791	12%
1-4 Family Residential	\$4,310	62%
Multi-Family (5 or more) Residential	\$502	7%
Commercial	\$1,189	17%
Consumer	\$110	2%
Total Loans	\$6,902	100%

Source: 6/30/03 Report of Condition

Liberty Bank strives to address the needs of individuals and families within their assessment area. The bank participates in the Home Start Savings Grant program offered by the Federal Home Loan Bank that targets low- and moderate-income, first time home buyers. The program provides educational home ownership training and the opportunity to earn up to \$5,000 in grant money to be used toward a down payment or closing costs. The amount of grant money available to the borrower is determined by the amount of money the borrower is able to save toward the purchase of a home. Since 2000, the bank has had 19 first time home buyers participate in this program.

According to a community contact interview with a representative of a local economic development department, conducted during this examination, financing is available in Salt Lake County for moderate-income borrowers. However, the contact noted that there is a credit need for more financing of low-income housing projects. Liberty Bank has provided substantial funding for a local developer/contractor who has constructed numerous low and assisted rent apartments for low-income individuals and families in the Salt Lake and Ogden areas. The bank's funding for these projects has assisted with the short term needs of the developer to acquire and build these projects.

DESCRIPTION OF ASSESSMENT AREA – SALT LAKE COUNTY

The Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901), as amended, requires a bank to identify one or more “assessment areas” within which its regulatory agency will evaluate the bank’s performance. An assessment area is an area that includes the geographies in which the bank has its main office, branch offices, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. Assessment areas always consist of one or more whole block numbering areas or census tracts, which are statistical subdivisions of a county. Census tracts are delineated for all metropolitan areas and other densely populated counties. Block numbering areas are used in rural nonmetropolitan areas and are typically larger than census tracts.

Liberty Bank’s assessment area is Salt Lake County, which is comprised of 193 census tracts. The assessment area, which is part of the Salt Lake-Ogden MSA, contains 5 low-, 43 moderate-, 89 middle-, and 56 upper-income census tracts. The assessment area has 310,988 housing units of which 66% are owner-occupied, 29% are rental units, and 5% are vacant. The median home value is \$173,753. As illustrated in Table 2, the largest percentage of the county’s households (48%) reside in middle-income census tracts where the median home value is \$151,132 and median gross monthly rent is \$695.

Table 2 - Selected Housing Characteristics by Income Category of the Geography										
Geographic Income Category	Number of Census Tracts	Percentage						Median		
		Census Tracts	House-holds	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age*	Home Value*	Gross Rent**
Low	5	3%	1%	1%	16%	71%	13%	40 yrs	\$168,940	\$504
Moderate	43	22%	27%	28%	41%	52%	7%	39 yrs	\$123,238	\$579
Middle	89	46%	48%	47%	71%	25%	4%	25 yrs	\$151,132	\$695
Upper	56	29%	24%	24%	84%	11%	5%	22 yrs	\$233,355	\$874
Total or Median	193	100%	100%	100%	66%	29%	5%	26 yrs	\$173,753	\$652

Source: U.S. Census, * - Owner-Occupied Units, ** - Renter-Occupied Units

During the 1990s Utah’s economy diversified, becoming increasingly integrated with the national economy and much less dependent on key industries such as federal government and mining. In 2001, a predicted slowdown in the Utah economy became pronounced after the September 11th terrorist attacks on the World Trade Center. While the national recession of 1991 was hardly felt in Utah, the current national recession is being mirrored. According to the Bureau of Labor Statistics, the state unemployment rate grew from 3.1 percent in December 2000 to 5.5 percent in September 2003 with 65,000 Utah residents unemployed.

The State of Utah ranks as the largest employer in the state with roughly 22,000 employees. Other major employers include Intermountain Health Care, University of Utah, Brigham Young University, Granite, Jordan, and Davis School Districts, Utah State University, Hill Air Force Base, Convergys, Delta Airlines, and the Internal Revenue Service. Utah continues to report one of the highest personal bankruptcy and foreclosure start rates in the nation. Declines in employment, larger family sizes, and higher debt levels have been attributed as possible reasons for this trend.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Liberty Bank's loan-to-deposit ratio indicates a strong responsiveness to the credit needs of the assessment area given the bank's operational age, asset size, financial capacity, and product lines. The bank's net loan-to-deposit ratio has averaged 161% over the 20 quarters since the last performance evaluation dated September 8, 1998. The bank's small size and high capitalization contribute to this high level.

9/30/98	12/31/98	3/31/99	6/30/99	9/30/99	12/31/99	3/31/00	6/30/00	9/30/00	12/31/00
202%	163%	176%	202%	146%	155%	168%	166%	177%	189%

03/31/01	6/30/01	9/30/01	12/31/01	3/31/02	6/30/02	9/30/02	12/31/02	3/31/03	6/30/03	AVG
160%	121%	184%	138%	157%	162%	152%	149%	127%	135%	161%

Lending within the Assessment Area

Liberty Bank originates a majority of loans within its defined assessment area. As illustrated in Table 1, the bank's primary loan product is 1-4 family residential mortgage loans. Between April 1, 2003, and September 30, 2003, Liberty Bank originated 72 residential mortgage loans totaling \$4,302,000. Table 3 summarizes the extent of lending activity within the bank's assessment area based on a sample of 31 loans originated during the identified six month period. Approximately 81% of the number and 79% of the dollar volume of home mortgage loans were originated within Salt Lake County.

Table 3 – Distribution of Loans Inside and Outside of the Assessment Area				
Loan Made	Number	Percent	Dollar Volume (000's)	Percent
Within the Assessment Area	25	81%	\$3,385	79%
Outside of the Assessment Area	6	19%	\$917	21%
Total Loans	31	100%	\$4,302	100%

Source: Bank Records

Lending to Individuals of Different Incomes

The bank has achieved an adequate penetration among borrowers of different incomes. The Department of Housing and Urban Development (HUD) annually estimates the median family income (MFI) for each metropolitan statistical area (MSA) and statewide non-metropolitan area across the country. Liberty Bank's assessment area falls within Salt Lake-Ogden MSA #7160. The following table provides the 2003 HUD estimated MFI for this MSA, including information on how the income levels were defined.

Table 4 – 2003 Median Family Income for the Salt Lake-Ogden MSA		
Income Level	Percent of MFI	MFI = \$61,100
Low	Less than 50%	< \$30,550
Moderate	50% to 80%	\$30,550 - \$48,879
Middle	80% to 120%	\$48,881 - \$73,319
Upper	120% and Over	\$73,320 +

Table 5 reflects the lending distribution of the 25 sampled residential mortgage loans which were originated within the assessment area. In addition, the table includes the percentage of families within each income level according to the 2000 U.S. Census. Both the number and dollar volume of the sampled mortgage loans extended to low- and moderate-income borrowers (28% and 23%, respectively) compare favorably with the percent of such families (23%) residing within the assessment area.

Table 5 – Distribution of Home Mortgage Loans by Borrower Income					
Borrower Income Level	Percent of Total Families	April 2003 thru September 2003			
		Number	Percent	Dollars (000's)	Percent
Low	1%	2	8%	\$95	3%
Moderate	22%	5	20%	\$684	20%
Middle	49%	9	36%	\$1,147	34%
Upper	28%	9	36%	\$1,459	43%

Source: 2000 U.S. Census and Bank Records

Geographic Distribution of Loans

The bank has achieved a reasonable dispersion of loans within Salt Lake County. This particular performance criterion evaluates where borrowers reside within the bank's designated assessment area. The geographic dispersion of home mortgage loans is presented in Table 6 along with the percent of owner occupied housing units in the bank's assessment area according to the 2000

U.S. Census. The percentage of mortgage loans originated within low- and moderate-income geographies is fairly consistent with the makeup of Salt Lake County. The absence of loans originated within low-income census tracts is not unreasonable given that only 5 of the 193 census tracts (or 3%) are classified as low-income and only 1% of the county's owner-occupied housing units are located in such tracts.

Table 6 – Geographic Distribution of Home Mortgage Loans by Income Category of the Census Tract						
Census Tract Income Level	Percent of Total Census Tracts	Percent of Total Owner Occupied Housing Units	April 2003 thru September 2003			
			Number	Percent	Dollars (000's)	Percent
Low	3%	1%	0	0%	0	0%
Moderate	22%	17%	7	28%	\$824	24%
Middle	46%	51%	8	32%	\$985	29%
Upper	29%	31%	10	40%	\$1,576	47%

Source: 2000 U.S. Census and Bank Records

Response to Complaints

No comments or complaints were received by the bank regarding its CRA performance.

Compliance with Anti-Discrimination Laws

A fair lending review was conducted during the current examination. No violations of the substantive provisions of the anti-discrimination laws were identified.